

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON COMMERCE AND
ECONOMIC DEVELOPMENT

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, November 14, 2012
1:10 p.m.

PRESENT:

COUNCILMAN W. WILSON GOODE, JR., CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILL 120855 - An ordinance amending Chapter
19-2600 of The Philadelphia Code, entitled
"Business Income and Receipts Taxes," by
revising the total amount of all tax credits
available in any year for new job creation...

- - -

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COUNCILMAN GOODE: Good

3

afternoon. This hearing is called to

4

order. This is a public hearing of the

5

Commerce and Economic Development

6

Committee on Bill No. 120855. My name is

7

W. Wilson Goode, Jr., Chair of this

8

Committee.

9

I note that a quorum is

10

present. To my far right is the

11

Vice-Chair of the Committee, Councilman

12

Mark Squilla. To my immediate right is

13

Councilwoman Jannie Blackwell. To my

14

immediate left is Councilwoman Marian

15

Tasco, and to my far left is Councilwoman

16

Blondell Reynolds Brown.

17

The title of the Bill No.

18

120855, amending Chapter 19-2600 of The

19

Philadelphia Code, entitled "Business

20

Income and Receipts Taxes," by revising

21

the total amount of all tax credits

22

available in any year for new job

23

creation, under certain terms and

24

conditions.

25

I'm going to bring both

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2 witnesses up. Mr. Mahoney and
3 Mr. Afessa, please approach the witness
4 table.

5 (Witnesses approached witness
6 table.)

7 COUNCILMAN GOODE: Mr. Afessa,
8 will you begin. State your name for the
9 record.

10 MR. AFESSA: Tilahun Afessa.
11 Good afternoon, Chairman Goode.

12 COUNCILMAN GOODE: Can you pull
13 the mic a bit closer. Thank you.

14 MR. AFESSA: Good afternoon,
15 Chairman Goode and members of the
16 Committee on Commerce and Economic
17 Development. My name is Tilahun Afessa,
18 and I am the Director of Policy,
19 Planning, and Outreach for the Department
20 of Revenue. I am here today to testify
21 in support of Bill No. 120855.

22 Since the establishment of the
23 Job Creation Tax Credit Program in 2002,
24 the annual amount of credit available in
25 any tax year has been limited to one

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2 percent of the prior year business income
3 and receipt tax collection. Beginning
4 with tax year 2013, Bill No. 120855
5 proposes to increase this amount to two
6 percent.

7 The basic maximum amount a
8 business may claim as a credit under this
9 program is two percent of the annual
10 wages paid for each new job or \$1,000 per
11 new job created, which is higher, up to
12 the maximum job creation amount specified
13 in the commitment letter. Currently,
14 there is a special tax credit opportunity
15 that increases the \$1,000 basic maximum
16 amount to \$5,000 for applications
17 approved beginning March 14th, 2012 to
18 create new jobs in 2012 or 2013. Over
19 the years, the total credit amounts that
20 have been awarded each year based on
21 commitments made have been less than the
22 one percent maximum amount of credit
23 available under the program for the
24 years. Our records also indicate that
25 fewer than the jobs promised to be

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2 created have actually been created. From
3 the inception of the program through the
4 end of 2011, 85 business applications
5 were approved for participation in the
6 program, with commitments to create 5,619
7 new jobs. As of the end of 2011, the
8 five-year period allowed by ordinance to
9 create new jobs has expired for 38 of
10 these 85 businesses, and 1,043 jobs have
11 been verified as new jobs created.

12 Mainly the decline in the
13 national economy has been blamed for the
14 low fulfillment of commitments to create
15 new jobs. If the increase in recent
16 months of inquiries about the program and
17 the continuing improvement in the
18 national economy are indications, we
19 expect more businesses to participate in
20 the program with commitments to create
21 more jobs and with a better chance to
22 fulfill their commitments than in the
23 past. As we testified before this
24 Committee on February 15 of this year in
25 support of Bill No. 120012, we believe

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2 employment growth is the key to remain
3 economically viable in our increasingly
4 competitive region.

5 Thank you again for giving me
6 the opportunity to testify today. I am
7 ready to answer any questions you may
8 have regarding this bill.

9 COUNCILMAN GOODE: Thank you,
10 Mr. Afessa. Just a few questions for the
11 record. The \$5,000 tax credit went into
12 effect this year. How many jobs have
13 been promised under the new \$5,000 tax
14 credit?

15 MR. AFESSA: Five hundred
16 fifty-eight jobs.

17 COUNCILMAN GOODE: And under
18 the new \$5,000 tax credit, how many jobs
19 could be created with the cap?

20 MR. AFESSA: I have some
21 numbers, but --

22 COUNCILMAN GOODE: I think it's
23 roughly --

24 MR. AFESSA: Less than 2,000,
25 but it is, I think, 1,800, if I'm not

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2 mistaken.

3 COUNCILMAN GOODE: Under the
4 one percent cap.

5 MR. AFESSA: Under the one
6 percent cap.

7 COUNCILMAN GOODE: I believe
8 it's about 800 jobs?

9 MR. AFESSA: Eight hundred
10 jobs, exactly.

11 COUNCILMAN GOODE: How many
12 years have we actually exceeded 800 jobs
13 being promised to be created?

14 MR. AFESSA: How many -- can
15 you --

16 COUNCILMAN GOODE: In how many
17 years have we gone above 800 jobs in
18 terms of employers promising to create
19 those jobs?

20 MR. AFESSA: Not any year in
21 the past.

22 COUNCILMAN GOODE: It's four
23 years in terms of promising the creation.

24 MR. AFESSA: Promised to be
25 created?

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2 COUNCILMAN GOODE: Yeah. In
3 2003, there were 1,266 jobs promised to
4 be created. In 2008, there were 1,001
5 jobs promised to be created; 2005, 945;
6 2011, 1,038.

7 So if we were to reach 800 jobs
8 this year or next year at the \$5,000
9 level, we would no longer be able to
10 offer that incentive.

11 MR. AFESSA: Exactly.

12 COUNCILMAN GOODE: Okay. Just
13 putting it on the record.

14 MR. AFESSA: Yeah.

15 COUNCILMAN GOODE: Thank you.

16 Any other questions for this
17 witness?

18 (No response.)

19 COUNCILMAN GOODE: Let me
20 acknowledge for the record that
21 Councilman O'Neill is here as well.

22 Thank you very much.

23 Mr. Mahoney.

24 MR. MAHONEY: Thank you,
25 Mr. Chairman, members of the Committee.

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2 For the record, I am Joe Mahoney,
3 Executive Vice-President at the Greater
4 Philadelphia Chamber of Commerce and I'm
5 here today in support of Bill No. 120855.

6 Bill 120855 amends Chapter
7 19-2600 of The Philadelphia Code,
8 entitled "Business Income and Receipts
9 Taxes," by revising the total amount of
10 all tax credits available in any year for
11 new job creation, under certain terms and
12 conditions.

13 The Job Creation Tax Credit
14 Program was established in May 2002 to
15 encourage businesses to expand employment
16 within the City of Philadelphia. It is
17 based on the Commonwealth of
18 Pennsylvania's Job Creation Tax Credit
19 Program and offers a credit against the
20 firm's business income and receipt tax
21 liability for each new job created. The
22 program can be utilized by companies of
23 any type or size located anywhere in the
24 City.

25 The tax credit has been very

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2 successful in the past in generating new
3 jobs through tax incentives. From the
4 inception of the program in 2003 through
5 the end of 2011, 109 businesses, I'm
6 told, have applied to participate in the
7 program, promising the creation of over
8 5,000 jobs. Bill 120855, in effect,
9 doubles the amount available for new job
10 creation tax credits.

11 It should be noted that the
12 Chamber testified in support of Bill
13 120012 last February increasing the
14 amount of the credit per job creation
15 from \$3,000 to \$5,000.

16 As you may be aware, the
17 Chamber is a strong proponent of job
18 creation as a means to enhance the
19 competitiveness of the City and to revive
20 our neighborhoods. Philadelphia has been
21 losing jobs for decades. Over the last
22 40 years, the City has lost 28 percent of
23 its jobs, and the unemployment rate
24 hovers near 11 percent. Without job
25 creation, our city will be stagnant,

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2 residents will pay more for services, and
3 our tax base will recede.

4 The GPCC has a representative
5 on the Jobs Commission, and I personally
6 testified at their hearing on October
7 24th, 2012. I am happy to share my
8 testimony with this Committee.

9 We applaud the sponsor of this
10 bill, Councilman W. Wilson Goode, Jr.,
11 for recognizing the need to spur private
12 job growth and for providing incentives
13 for businesses to come to Philadelphia
14 and to hire our residents.

15 Once again, the Chamber is
16 happy to support this economic
17 development tool.

18 Thank you for this opportunity
19 to testify.

20 COUNCILMAN GOODE: Thank you
21 for your testimony.

22 Any questions for this witness?
23 (No response.)

24 COUNCILMAN GOODE: Seeing none,
25 Mr. Bumb, are you offering testimony?

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2 MR. BUMB: No, I'm not.

3 COUNCILMAN GOODE: Is there
4 anyone else to testify?

5 (No response.)

6 COUNCILMAN GOODE: Seeing none,
7 we will move from our public hearing into
8 a public meeting to consider Bill No.
9 120855.

10 The Chair recognizes
11 Councilwoman Blackwell for a motion on
12 the bill.

13 COUNCILWOMAN BLACKWELL: Thank
14 you, Mr. Chairman. We move that Bill No.
15 120855 be reported out of Committee with
16 a favorable recommendation and,
17 furthermore, that the rules of Council be
18 suspended so as to allow first reading at
19 our next session of Council.

20 (Duly seconded.)

21 COUNCILMAN GOODE: All in
22 favor?

23 (Aye.)

24 COUNCILMAN GOODE: Those
25 opposed?

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2 (No response.)

3 COUNCILMAN GOODE: Bill No.

4 120855 is reported out of the Committee
5 with a favorable recommendation and
6 suspension of the rules to allow first
7 reading at our next Council session.

8 This concludes our public
9 meeting.

10 Thank you very much.

11 The Appropriations Committee
12 hearing will start at 1:30.

13 (Committee on Commerce and
14 Economic Development concluded at 1:20
15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence and objections are
contained fully and accurately in the
stenographic notes taken by me upon the
foregoing matter on November 14, 2012, and
that this is a true and correct transcript of
same.

MICHELE L. MURPHY
RPR-Notary Public

(The foregoing certification of this
transcript does not apply to any reproduction
of the same by any means, unless under the
direct control and/or supervision of the
certifying reporter.)

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